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SENSITIVE

STATE FOR EB/TPP, NEA/ARPI
STATE PASS TO USTR/JBUNTIN AND JFENNERTY
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SUBJECT: COMMERCE U/S ON FTA, TRADE ISSUES (C-NE4-01168)

REF: A. MUSCAT 142

[B](#). MUSCAT 165

Summary

[1](#)1. (SBU) In a February 5 introductory call by the Ambassador, new Ministry of Commerce and Industry Under Secretary Ahmed al-Dheeb offered an optimistic outlook on impending U.S.-Omani Free Trade Agreement talks. Noting that labor issues under the FTA will require some work, he likewise laid down a marker for special consideration on rules of origin in light of the importance of Oman's industrial sector. Al-Dheeb described developments in several key sectors, including port development and tourism. The Ambassador raised a possible IPR violation involving a Viagra knock-off, and expressed hope that Bechtel will win a tender to construct an aluminum smelter in Sohar. Al-Dheeb sought the Embassy's help in attracting to Oman any U.S. firms seeking to depart Saudi Arabia. He shared some of his biographic background. End summary.

[1](#)2. (SBU) On February 5, the Ambassador paid an introductory call on Ministry of Commerce and Industry (MOCI) Under Secretary Ahmed bin Hassan al-Dheeb. Al-Dheeb was appointed

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to the position by Sultan Qaboos on January 3 to fill the vacancy left when Ali al-Sunaidi became the new Minister of Sports Affairs. Al-Dheeb previously served as CEO of the Public Establishment for Industrial Estates (PEIE) -- see biographic details in paras 9-10.

FTA: Labor, Rules of Origin

[1](#)3. (SBU) Al-Dheeb quickly underscored to the Ambassador how keen MOCI is to sign a Free Trade Agreement (FTA) with the U.S. While the Minister, Maqbool Sultan, will lead the negotiations from the Omani side, al-Dheeb said he would be playing a supporting role. One of the Under Secretary's first meetings after being transferred to MOCI was with Assistant U.S. Trade Representative for Labor, William Clatanoff (ref A). Al-Dheeb said MOCI's expectations right now are that the FTA negotiations should proceed fairly smoothly, although there are some issues on labor and some other matters that will require work. He felt AUSTR Clatanoff had expressed good ideas in their January meeting, and said that as long as Oman's FTA labor text remained close to Bahrain and Jordan FTA's, "we should be OK." He asked that we bear in mind that, particularly when housing, transportation and other benefits are added to salaries, Oman's expatriate workforce is significantly better compensated than expat labor elsewhere in the region.

[1](#)4. (SBU) Perhaps reflecting his industrial background, al-Dheeb indicated that rules of origin issues will be a vital concern from Oman's viewpoint. Noting that Bahrain's economy is more service-oriented and less industrial than Oman's, he envisions seeking adjustments to the Bahrain FTA text to provide Oman with a more liberal calculation of what constitutes local content in manufactured goods. Overall, the Under Secretary sought the Ambassador's views on whether a U.S.-Oman FTA will in fact be signed. The Ambassador noted the positive statements during their recent visits to Oman of Deputy Secretary (and former US Trade Representative) Robert Zoellick and House Ways and Means Committee Chairman Bill Thomas as solid indications of the USG's serious intent to achieve an FTA with Oman in an expedited manner.

IPR Issues, Pharmaceuticals

[1](#)5. (U) Asked for his assessment on intellectual property rights protections in Oman, al-Dheeb acknowledged that there are always some minor violations but that, overall, IPR protections in Oman compare favorably in his view with those

in some of the U.S.'s other FTA partners. The Ambassador then took the opportunity to broach a potential problem concerning a drug produced and marketed in Oman under the name "Aladin." A representative of the Pharmaceutical Research and Manufacturers of America (PhRMA) had notified the Embassy February 2 that "Aladin" violated Pfizer's Viagra patent. The manufacturer of "Aladin," the National Pharmaceutical Industries Co. (NPI), is partly owned by the Omani Ministry of Health. Al-Dheeb was unfamiliar with "Aladin," but as a former director of the Rusayl Industrial Estate where NPI is located, he said he was quite familiar with the company. He asked that the Embassy provide him with all of the pertinent details as to why PhRMA believes this to be an IPR violation. Al-Dheeb assured the Ambassador that MOCI and the Ministry of Health would take prompt action against NPI to take "Aladin" off the market should PhRMA's complaint prove legitimate.

Port Development

16. (SBU) Recalling his upbringing in the southern Omani port city of Salalah, al-Dheeb remarked on the rapid growth of that and other ports in the Sultanate. He expects the long-awaited Salalah Free Trade Zone to finally start operations within the next 18 months, and extolled its great potential for warehousing. He was not certain, however, that the port itself could be much increased beyond the current expansion project that will add 2 berths and extend the breakwater. He also indicated that another long-simmering project, the development of a dry dock and commercial port in the remote Central Omani port of Duqm, would also soon be getting underway. He indicated that Duqm was well placed to build up Oman's fishing industry and exploit mineral deposits for processing (limestone, cement) or export. The Ambassador brought to al-Dheeb's attention an investment dispute still working its way through the Omani courts involving a joint U.S.-Omani shrimp farm investment that had been displaced from Duqm by the port project.

17. (SBU) The Ambassador turned the conversation to the Sohar Industrial Port, which is rapidly growing based on gas-fed industries including a USD 3 billion investment from American chemical giant Dow. Al-Dheeb emphasized the Sultanate's plan to spread economic development as broadly among the nation's eight regions as possible. The country's five most significant current or planned ports (Muscat, Sohar, Salalah, Sur and Duqm) are each located in a separate region. Obviously, he said, the gas-based industry in Sohar is currently the most prospective, with massive foreign and state investment pouring in. In that vein, the Ambassador noted U.S. firm Bechtel's strong bid for the aluminum smelter contract in Sohar, and hoped a favorable decision from the Tender Board would add yet another significant U.S. investment to the Omani economy. Al-Dheeb in turn asked for the Embassy's assistance in steering toward Oman any U.S. firms that may be seeking to relocate from Saudi Arabia.

Tourism

18. (U) The Under Secretary feels the tourism industry in Oman is still a few years away from really taking off. He said the government is working hard to complete a number of road and other infrastructure projects in the next 2-3 years that will give visitors much more than merely nice hotels to enjoy during their stays. He pointed to recently completed road projects along the scenic coast between Quriyat and Sur, and into the idyllic valley oasis of Wadi Bani Khalid. The massive 3-hotel Shangri La resort complex just south of Muscat will add 450 hotel rooms by the end of the year. The Ambassador apprised the Under Secretary of the Smithsonian Institution's annual Folklife Festival on the Washington Capital Mall, which this summer will make Oman the first Arab country to be individually featured. Al-Dheeb acknowledged he had heard about it, and agreed that the millions of expected visitors will give Oman an unprecedented chance to market itself as a tourist destination and trade partner.

Biographic Notes

19. (SBU) Ahmed bin Hassan bin Alawi al-Dheeb Ba-Umar originally hails from Salalah, capital of the southern Dhofar Governorate. (Note: Of cabinet members, only the Foreign Minister and Minister of Regional Municipalities join the Sultan as native Dhofaris. End note.) Born in 1964, he is currently married and has four sons and one daughter. He resides in the Muscat suburb of al-Khuwayr, near the U.S. Embassy. Al-Dheeb received his B.Sc. in Industrial Engineering from the University of Miami (Florida) in 1989, and his MA in Industrial Development from the University of East Anglia (UK) in 1993. He began his employment at the

Rusayl Industrial Estate (in Muscat) in 1989 as an industrial engineer before becoming director of the RIE Technical Department in 1992 and finally Director of RIE from 1993-96. In 1996, al-Dheeb was promoted to Managing Director of the Public Establishment for Industrial Estates, and served as PEIE Executive President from 1997-2005. He has attended numerous training programs and workshops in Europe and Asia. Of his new duties, al-Dheeb said he finds them to be very similar to his experience at PEIE. He noted inheriting a number of committee assignments from his predecessor, including the chair of the "Omani-American Joint Commission" (which, from his explanation, we believe he means the Trade and Investment Framework Agreement (TIFA) Council although he could be referring to the long-defunct, USAID-funded development program of the identical name).

10. (SBU) Al-Dheeb has excellent English language skills, and retains a strong fondness for Miami despite not having been back there since 1989. He claims to follow avidly the Miami Dolphins football team. Al-Dheeb recounts with humor the trouble he had in Florida of not speaking Spanish, since many people assumed him to be Hispanic from his complexion. He also liked to show off by climbing coconut trees in Miami, the same way he routinely climbed them in his native Dhofar. Al-Dheeb's last visit to the U.S. was in 1996, when he attended a one-week seminar on small and medium enterprise development that took place in the World Trade Center in New York City. He remembers being shocked at the fast pace of New Yorkers, but said by his third day he found himself walking fast like everyone else.
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